

Costs and Benefits of Green Public Procurement in Europe

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- General Recommendations -

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Authors

Öko-Institut e.V.

Ina Rüdener

Miriam Dross

Dr. Ulrike Eberle

Carl-Otto Gensch

Kathrin Graulich

Katja Hünecke

Yvonne Koch

Martin Möller

Dr. Dietlinde Quack

Dominik Seebach

Wiebke Zimmer

ICLEI

Mark Hidson

Peter Defranceschi

Philipp Tepper

Öko-Institut e.V.

Freiburg Head Office

PO Box 50 02 40

79028 Freiburg

Germany

Tel. +49 (0) 761 – 4 52 95-0

Fax +49 (0) 761 – 4 52 95-88

Address for visitors:

Merzhauser Str. 173

D-79100 Freiburg

Darmstadt Office

Rheinstr. 95

64295 Darmstadt

Germany

Tel. +49 (0) 6151 – 81 91-0

Fax +49 (0) 6151 – 81 91-33

Berlin Office

Novalisstr. 10

10115 Berlin

Germany

Tel. +49 (0) 30 – 28 04 86-80

Fax +49 (0) 30 – 28 04 86-88

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Overall conclusion and recommendations

The recommendations in brief

- To communicate the good results regarding costs and LCC in many product groups of this study and to deepen knowledge in further product groups.
- To use LCC in GPP where appropriate.
- To strengthen function oriented approach to reveal further potentials for environmental and economic benefits.
- To create demand and help develop a market through tendering for innovative green products.
- To strengthen GPP through high-level political commitment.
- To motivate procurers and facilitate GPP through, e.g., networking activities
- To provide practical assistance and best practice examples next to clear information and easy to use tools and examples.
- To send clear signals that the price is not the only criterion in public procurement and that this attitude will maintain in the long term, giving suppliers planning reliability
- To think of innovative procurement procedures, e.g. to invite suppliers and/or manufacturers to obtain input on the definition of the tender criteria, to assess the availability of the product on the market and, hence, to see whether the 'green' criteria are realistic.
- To foster implementation of monitoring and environmental management tools for GPP.

Costs and benefits

Below the line, the results of the LCC analyses regarding price differences between green and non-green products lead to a tie: It cannot be said that green products are generally less expensive; yet, they are not basically more expensive, either.

Environmental qualities of a product are only one aspect determining the price of products. Other, partly more important aspects are the brand (or make), quality, technical merit, aesthetic or functional characteristics as well as the price deduction schemes related to different purchase volumes.

Regarding the latter, joint procurement initiatives have a positive impact on the purchase price and to some extent also on LCC related costs (e.g. maintenance, energy consumption) of the analysed products and services.

Higher purchasing prices are in many cases compensated for by lower operating costs. This is an important result that should be communicated by the European Commission as widely as possible. The results of the study should be used to stress that LCC aspects should be included and emphasised more in public procurement in order to ensure that public authorities will save expenses effectively.

Also, experiences regarding other product groups, which were not part of this study, show that rational decisions in public procurement should be based on the LCC approach. An example is high efficient pumps in heating installations: During the whole life cycle, approx. 95% of the total costs are determined by operating costs. Thus, public procurement decisions solely based on the purchase price are likely to cause misinvestment. Therefore, it is necessary to investigate further product groups to broaden the knowledge with regard to LCC.

Function oriented approach

In some product groups, the function oriented approach could not be fully applied, either due to financial and time restrictions (in case of food, e.g., it has not been possible to calculate all costs producing a certain drink or dish, including personnel or energy costs for preparation), or due to given definitions of the eleven product groups. For example, it has been possible to include results of product group 11 ('Paper') into the calculations of product group 8 ('Printers and copiers') in order to give a complete picture of all costs related to the printing or copying function to be delivered. In other cases, however, such an overlapping approach has not been possible. A comparison of different hand drying systems (cotton vs. paper towels¹, for instance) might have been interesting. However, the two versions belonged to two different product groups ('Clothing' and 'Paper'). A selection of this product type in both product groups did not make sense, as in case of paper other product types were more important, and in case of clothing a green version for cotton towels did not exist. Concluding, a stronger focus on the function to be delivered might reveal further environmental and economic benefits.

Creating demand for green products

In the course of the study it was revealed that the market access to the green version of some products can be difficult for procurement units (e.g. in the case of clothing, where only few green products are available on the market). At present, this can be seen as a handicap for GPP. However, procurers can help to 'green' the market by creating a demand for ecological products. As an after-effect, this can also have an influence on the private demand. For example, the Zurich case study (Part 3) clearly shows that successful GPP can give strong signals to private procurers as well as to the competitors on the market.

Political commitment; Motivation and knowledge dissemination through networks

All case studies in Part 3 of the study once again stress the importance of political commitment in the city or region concerned; a finding which is also supported by consumer research, conducted in another project on green (private and public) purchasing². In the Swedish case study, e.g., longtime overarching national, regional and local political goals to achieve a sustainable society and a sustainable public transport system could be observed. This also shows the need for the European Commission to continue convincing national governments to put GPP on their agenda, and supporting it actively. In order to secure political backing, dissemination activities should always highlight the benefits when implementing sustainability (procurement) policies. Irrespective of financial implications, GPP drives innovation, achieves both global and local environmental and health goals, improves the public image, increases the legitimacy of political representatives, and meets the responsibilities towards today's and tomorrow's society.

Also, the individual commitment of different departments of the purchasing organisation is highly important. Being part of a network, to support, share and show costs and benefits of GPP is a valuable asset that many local authorities use. It is therefore strongly recommended to disseminate the findings of this report regarding the cost-effectiveness of most green products and services through channels offering a high credibility for municipal decision makers, such as ICLEI, CEMR (Council of European Municipalities and Regions) and its counterparts on national and European level.

¹ For an environmental comparison of these two systems see: Eberle, U.; Möller, M.: Life Cycle Analysis on two hand drying systems. A comparison of cotton towels and paper towels. Öko-Institut, Freiburg 2006. (commissioned by: European Textile Service Association – ETSA Brussels, Belgium)

² Consumer research, amongst others, on green electricity procurement in Germany was carried out within the Öko-Institut's 'EcoTopTen' project, funded by the German Federal Ministry for Research (www.ecotopten.de).

Both political commitment and motivation and knowledge dissemination through networks do not necessarily require high investments, as Part 2 of this report shows.

Practical help and tools

The study revealed a number of other aspects that can help to further GPP. For the daily work of the purchasing authorities, GPP should be practical and easy-to-use. During the study it was observed that for successful GPP it is most relevant to provide practical assistance and best practice examples from other public procurement bodies, e.g. model tender documents. On the EU level, a GPP toolkit is currently being produced and will be available at the beginning of 2008. It will give clear advice on how to overcome key barriers to foster cost-effective implementation of GPP. The tool will contain information and good practices, showing that green products do not necessarily cost more, particularly when Life Cycle Costs (LCC) are incorporated. Therefore, this guidance will be complementary to the results of this study.

Even more convincing than figures to prove the cost-effectiveness of green purchasing is to show that other public procurement bodies are already successful in GPP. In the example of green electricity this was observed during the study, but it is also true for other product groups. Good practice examples and especially tender documents, that show how products and services can be procured environmentally friendly and legally sound, are a major contribution to furthering GPP. Especially Part 3 of this report includes cases of successful procurement of products using eco-technologies.

Reliability

In line with the need of political commitment and will, and to have a good outcome in terms of tendered products, public authorities should send a clear signal that the price is not the only criterion, and that they will maintain this attitude in the long term. This is certainly another convincing argument for many suppliers to participate in the tendering process and to invest in the development of the relevant product.

Tendering process

The case studies in Part 3 also showed that there are procedural steps in the tendering process that can be helpful to the procurement. For instance, to split the complex tender procedure into two phases was seen as a very effective approach to obtain the best offer on the market of the relevant product. Inviting suppliers and/or manufacturers can help to obtain

input on the definition of the tender criteria, to assess the availability of the product on the market and, hence, to see whether the 'green' criteria are in fact realistic. This can give a strong signal to the market and trigger the production process. In the Zurich case study, e.g., the approach added to the transparency of the tendering process and further opened it up towards fair competition.

Management and Monitoring

One of the results of Part 2 of the study is that it should be considered creating a simple and easy-to-use European-wide monitoring system, including benchmarking possibilities and tools to measure the outcomes, e.g. by cost-benefit-analysis and impact analysis tools. Local authorities often – like in this survey, too – lack statistical data on their activities.

Environmental management systems like EMAS give a good basis to develop straightforward and practical GPP implementation and monitoring tools. It would therefore be beneficial to promote and highlight the links between EMS and GPP and how they support each other's goals. One tool that could be further adapted is the ICLEI Scorecard used in the Procura⁺ Milestone project. This tool can currently be used to measure the share / amount of green products and services procured by the organisations.